



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

June 5, 2008

H.R. 6003
Passenger Rail Investment and Improvement Act of 2008

*As ordered reported by the House Committee on Transportation and Infrastructure
on May 22, 2008*

SUMMARY

H.R. 6003 would authorize the appropriation of an estimated \$14.9 billion over the 2009-2013 period for rail programs administered by Amtrak, states, and the Department of Transportation (DOT). That amount includes \$9.9 billion for grants to Amtrak to cover its operating expenses, capital projects, and debt repayment; \$4.3 billion in grants to states for rail projects, including high-speed rail; and \$520 million for grants to states and Amtrak to reduce rail congestion. Assuming appropriation of the amounts specified and estimated to be necessary, CBO estimates that enacting the legislation would cost \$12.4 billion over the 2009-2013 period.

The bill could affect direct spending because it would authorize the Department of the Treasury to repay Amtrak debt—without further appropriation—if the department chooses to negotiate with Amtrak's creditors to restructure the debt. CBO does not expect that the Treasury would seek to restructure and repay Amtrak's debt. If, however, the Treasury did repay Amtrak's debt, that provision would increase direct spending by more than \$2 billion over the next several years.

Enacting the legislation would not effect revenues.

Section 4 of the Unfunded Mandates Reform Act (UMRA) excludes from the application of that act any legislative provision that establishes or enforces statutory rights that prohibit discrimination on the basis of disability. CBO has determined that sections 211 and 212 of H.R. 6003 fall within that exclusion; therefore, we have not reviewed them for intergovernmental or private-sector mandates.

Other provisions of H.R. 6003 contain no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments. The other provisions contain several private-sector mandates as defined in UMRA because they would require

Amtrak to comply with requirements related to financial planning and accounting, the performance of train operations, and buying American products. Amtrak already complies with many of those requirements, and the cost to comply with the remaining mandates would likely be small. Therefore, CBO estimates that the aggregate cost of the mandates in the bill would fall below the annual threshold established in UMRA for private-sector mandates (\$136 million in 2008, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 6003 is shown in the following table. The costs of this legislation fall within budget function 400 (transportation).

	By Fiscal Year, in Millions of Dollars					2009- 2013
	2009	2010	2011	2012	2013	
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Grants to Amtrak						
Authorization Level	1,634	1,997	2,011	2,143	2,159	9,944
Estimated Outlays	1,573	1,799	1,876	2,073	2,134	9,455
Grants to States for Rail Projects						
Authorization Level	850	852	852	849	849	4,252
Estimated Outlays	85	255	511	681	808	2,340
Grants to Reduce Rail Congestion						
Estimated Authorization Level	100	102	104	106	108	520
Estimated Outlays	75	97	103	105	107	487
Other Authorized Programs						
Authorization Level	70	5	5	5	5	90
Estimated Outlays	6	18	36	15	12	87
Oversight, Studies, and Reports						
Estimated Authorization Level	28	7	7	7	7	56
Estimated Outlays	13	15	12	8	7	55
Total Changes						
Estimated Authorization Level	2,682	2,963	2,979	3,110	3,128	14,862
Estimated Outlays	1,752	2,184	2,538	2,882	3,068	12,424

BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 6003 will be enacted near the end of 2008 and that the amounts authorized and estimated to be necessary will be appropriated each year beginning in fiscal year 2009. Estimates of spending are based on historical spending patterns of existing and similar programs.

Spending Subject to Appropriation

H.R. 6003 would authorize the appropriation of an estimated \$14.9 billion over the 2009-2013 period. That amount includes funds for grants to Amtrak for capital, operating, and debt expenses and to states for rail projects, including high-speed rail. Those funds also include grants to reduce rail congestion and improve a rail tunnel in Baltimore, Maryland, and an estimated \$55 million to comply with the bill's reporting and other administrative requirements.

Grants to Amtrak. H.R. 6003 would authorize the appropriation of about \$9.9 billion for grants to Amtrak over the 2009-2013 period. This total includes \$3.0 billion for operating expenses, \$4.2 billion for capital projects, \$1.7 billion for repayment of the principal and interest on its debt, and \$1.0 billion for bringing Amtrak trains and stations into compliance with the Americans with Disabilities Act of 1990 (Public Law 101-336). In 2008, Amtrak received appropriations totaling \$850 million for capital expenses and debt service and \$475 million for operating expenses. Based on information from Amtrak about the pace of spending on those activities, CBO estimates that those grants would cost about \$9.5 million over the 2009-2013 period and about \$500 million thereafter.

Grants to States for Rail Projects. The bill would authorize the appropriation of about \$4.3 billion in grants to states over the 2009-2013 period. That total includes \$2.5 billion for capital projects to improve intercity rail service and \$1.8 billion for new high-speed rail projects. The 2008 Consolidated Appropriations Act (Public Law 110-161) included \$30 million for grants to states for capital improvements for intercity passenger rail service. CBO estimates that spending for those grants would total \$2.3 billion over the 2009-2013 period and about \$2.0 billion after 2013.

Grants to Reduce Rail Congestion. The bill would authorize DOT to make grants to states or to Amtrak, in cooperation with states, for rail projects necessary to either reduce congestion in high-priority rail corridors or increase ridership on intercity passenger rail systems. Amtrak expects that it and states with high-priority rail corridors will spend about \$500 million under current law on communication and signal equipment, structures, track, and other projects over the next two years to reduce congestion. To reduce congestion as

envisioned in the bill, Amtrak would need to add more than 1,500 miles of track and complete a variety of other improvements, including upgraded signals, extended sidings, and other engineering work. Based on the pace of current Amtrak spending and information from DOT, CBO estimates that the provision would cost \$487 million over the 2009-2013 period, assuming appropriation of the necessary sums. According to Amtrak's estimates, such spending would allow it to install nearly 500 miles of additional track over the next five years.

Other Authorized Programs. Other provisions of the bill would authorize the appropriation of \$90 million over the 2009-2012 period, including:

- \$60 million for Federal Railroad Administration (FRA) and Amtrak to approve a new rail tunnel alignment in Baltimore, Maryland, and to ensure completion of related environmental reviews;
- \$25 million to DOT to improve models for understanding railroad transportation and to study how railroad transportation could be improved; and
- \$5 million for the FRA, Amtrak, and interested states to form a committee to develop standards for certain rail equipment. The bill would allow Amtrak and participating states to enter into agreements or establish a corporation for acquiring such equipment.

Assuming appropriation of those specified amounts and based on information from Amtrak and DOT regarding the speed at which they can complete the work on the Baltimore tunnel, CBO estimates that implementing those provisions would cost \$87 million over the 2009-2013 period.

Oversight, Studies and Reports. H.R. 6003 would authorize funds for DOT to provide oversight for Amtrak's operations and would direct the agency to complete several studies with respect to high-speed rail, the use of alternative fuels in rail programs, and rail operations and efficiency. The bill also would require Amtrak and the Government Accountability Office to each complete studies about passenger rail programs and the performance of Amtrak. Assuming appropriation of the amounts specified and estimated to be necessary based on information from DOT and Amtrak, CBO estimates that implementing those provisions would cost \$55 million over the 2009-2013 period.

Direct Spending

H.R. 6003 would authorize the Department of the Treasury to negotiate with Amtrak's creditors to restructure Amtrak's long-term debt with the goal of reducing costs to Amtrak and the government. The Treasury's authority to initiate such negotiations would expire 18 months after enactment of the legislation. The bill also would direct the Treasury—without further appropriation—to repay whatever debt the department is able to restructure if the government and Amtrak would realize savings.

Based on information from Amtrak, DOT, and the Treasury, CBO does not expect that the Secretary of the Treasury would opt to negotiate with Amtrak's creditors, and as a result, would not repay any of Amtrak's debt under this bill. Thus, CBO does not estimate that this provision would affect direct spending. As of October 1, 2007, Amtrak owed about \$3.3 billion in long-term debt. Of this total, almost \$900 million is held in an escrow account for repayment, leaving about \$2.4 billion available for restructuring under H.R. 6003. If the Treasury did negotiate with Amtrak's creditors and restructure and repay this debt, CBO estimates that the repayment would increase direct spending by more than \$2 billion over the next several years.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

Section 4 of UMRA excludes from the application of that act any legislative provision that establishes or enforces statutory rights that prohibit discrimination on the basis of disability. CBO has determined that sections 211 and 212 of H.R. 6003 fall within that exclusion; therefore, we have not reviewed them for intergovernmental or private-sector mandates.

Other provisions of H.R. 6003 contain no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments. However, the other provisions of the bill impose several private-sector mandates on Amtrak. CBO estimates that the aggregate cost of those mandates would fall below the annual threshold established in UMRA for private-sector mandates (\$136 million in 2008, adjusted annually for inflation). The bill would authorize appropriations for Amtrak to comply with two of the mandates.

Mandates that Apply to the Private Sector

The bill would require Amtrak to implement certain financial planning, accounting, and reporting requirements, including a requirement to obtain advanced approval from the Secretary of Transportation before incurring any additional debt. In addition, the bill would require Amtrak to standardize performance and service quality and methods for calculating

the operating and capital costs of short-distance routes. The bill also would require Amtrak to plan for and implement development projects in the Northeast Corridor and along the Gulf of Mexico, follow certain stipulations of the Buy American Act, and submit to the Congress a report on Amtrak's utilization of its facilities.

Amtrak currently complies with most of the requirements included in the bill. For those requirements that may require additional effort, the cost to make such changes would likely be small. In addition, the bill would authorize \$5 million and \$1 million, respectively, for Amtrak to comply with the requirements involving further development of the Northeast Corridor and a route along the Gulf of Mexico.

PREVIOUS CBO ESTIMATE

On May 17, 2007, CBO provided a cost estimate for S. 294, the Passenger Rail Investment and Improvement Act of 2007, as ordered reported by the Senate Committee on Commerce, Science, and Transportation. That bill contained provisions addressing the security of rail operations, including authorizing \$399 million for grants for rail security, which are not contained in H.R. 6003. S. 294 also would authorize the Surface Transportation Board to assess penalties on freight railroads for delaying Amtrak trains. That bill authorized the appropriation of \$8.9 billion over five years for grants to Amtrak and \$1.4 billion over five years for grants to states for rail projects. In addition to several mandates on rail carriers, that bill contained many of the same mandates on Amtrak that are included in H.R. 6003. Because of uncertainty about the regulations to be implemented under S. 294, CBO could not determine whether the aggregate costs of the mandates on the private sector would exceed UMRA's annual threshold for private-sector mandates.

ESTIMATE PREPARED BY:

Federal Costs: Sarah Puro

Impact on State, Local, and Tribal Governments: Elizabeth Cove

Impact on the Private Sector: Jacob Kuipers

ESTIMATE APPROVED BY:

Theresa Gullo

Deputy Assistant Director for Budget Analysis